

NOV 14 2002

by Council Liaison's Office

# Memorandum

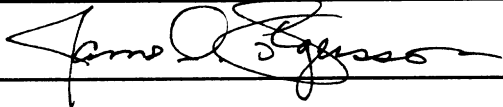
**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Leslye Corsiglia

**SUBJECT:** SEE BELOW

**DATE:** November 12, 2002

Approved



Date

11.12.02

**COUNCIL DISTRICT:** Citywide  
**SNI AREA:** All

## INFORMATION

**SUBJECT: ACQUISITION REHABILITATION RESALE PROGRAM (ARRP)**

## BACKGROUND

At the September 24, 2002 City Council meeting, the City Council approved amendments to agreements with Neighborhood Housing Services Silicon Valley (NHSSV) to expand the Mayfair Neighborhood Acquisition/Rehabilitation Resale Program (ARRP) into all Strong Neighborhoods Initiative (SNI) areas. Councilmember Cortese, at the Economic Development and Environment Committee (EDEC), and Councilmember Campos at the City Council meeting, raised questions regarding the difficulty of implementing this program in the Mayfair area. In addition, the Councilmembers wanted to know how expanding this program beyond Mayfair could provide improved results.

This memorandum responds to these questions by providing additional information regarding how an ARRP can be a valuable tool to revitalize lower income neighborhoods, the challenges of implementing the pilot program in the Mayfair area and how the City Council's recently approved actions will improve the chances for success of this program.

## ANALYSIS

The focus of the ARRP is to acquire residential properties, rehabilitate them and then re-sell the properties to low or moderate-income families. NHSSV works with local real estate professionals to acquire vacant properties that are already on the market, thus avoiding displacement or relocation issues. After rehabilitation, NHSSV sells homes to one of its qualified homebuyers. All qualified homebuyers have been pre-approved to use NHSSV's down-payment assistance program, the HomeVenture Fund, to purchase the home. In most cases, the potential buyer is a low-income family that could not afford to purchase let alone rehabilitate a home in our high cost area. When NHSSV sells the property to the low-income buyer, the proceeds from the sale of the home are returned to the ARRP account. This revolving-assistance fund can be used to purchase additional properties.

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In order for this revolving-assistance fund to work, an ARRP needs volume. It was difficult to generate volume when the program was limited to the Mayfair/Plata Arroyo Neighborhoods for the following reasons:

- There were few homes for sale in this area.
- Many of the homes that were for sale were already rehabilitated and were priced high and out of reach of the low-income homebuyer.
- Some homes that required rehabilitation were also priced high, making the price to purchase and to rehabilitate not workable for this program.

The right homes for an acquisition rehab are not easy to find, but they are available. NHSSV successfully completed the rehabilitation and sale of its first property on Vollmer Way and has acquired its second property on 34<sup>th</sup> street. By expanding the geographic area of the program and increasing the supply of potential properties, NHSSV expects to assist more first-time homebuyers. The greater the chance of finding a sufficient supply of troubled properties, the greater the opportunity to set up an economically sound program. Because NHSSV has a corporate contractor's license, it would be possible for it to manage the rehabilitation of three to five houses at one time.

In approving the expansion of the program, the City Council directed the Housing Department to provide a six-month status report on the program. A status report on the performance of the program will be provided to the City Council in March 2003. The Housing Department will continue to work with NHSSV on the implementation of this modified program.

### **COORDINATION**

This report has been prepared by the Housing Department in coordination with Neighborhood Housing Services Silicon Valley (NHSSV).

  
LESLIE CORSIGLIA  
Director of Housing